

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018

BAC2634 – FINANCIAL ACCOUNTING & REPORTING II

(All Section / Groups)

17 MARCH 2018
2.30 p.m – 5.30 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages with 5 questions only.
2. Answer **ALL** questions in the answer booklet provided.

QUESTION 1**Part A**

The following cases of Panda Group are referred. Briefly explain based on MFRS 15 *Revenue from Contract with Customer*, how should revenue be recognised in the financial statements?

- (i) The construction arm of the Group enters into a contract with a customer to construct a factory, a staff quarters and covered car parks for 30 of the customer's management and staff for a total consideration of RM4,500,000. The factory costs RM3,000,000, the staff quarters RM1,000,000 and the carparks RM500,000.

(3 Marks)

- (ii) It also enters into another contract to build a retaining wall in 3 phases. Due to the nature of the terrain, there are different attributes for each phase of the wall. The contract calls for each stage to be approved by the Quantity Surveyor. Consider whether there are 3 performance obligations where revenue will be taken up as each performance obligation is performed.

(5 Marks)

- (iii) Another manufacturing arm of the Group has sold 2 container loads of transformers (used as a component for electrical products) to a company in Germany. Based on the incoterms, the goods are shipped FOB (free on board) through Port Klang. The containers were loaded on to the ship (i.e., they crossed the rail) and the shipping company accepted the Bill of Lading. The goods were insured by the purchaser. After leaving Port Klang, the ship collided with another tanker and sank in the Straits of Malacca.

- (a) Should the Group account for the revenue under MFRS 15 once the goods were shipped, should they wait till the goods are accepted by the buyer?

(2 Marks)

- (b) Would there be any difference if the incoterms state that the goods are to be shipped Cost, Insurance and Freight (CIF)?

(4 Marks)

- (iv) Petroll Car Wash outlet in Jalan Besar, Kuala Lumpur has introduced a customer loyalty programme. For every 6 car washes carried out at the outlet, 1 free car wash will be given. The average price for a car wash is RM15.00. The outlet expects 30% of the customers to claim the 7th car wash for free. In a period of 1 month, approximately 1,000 cars are washed. How much revenue should Petroll account for as its revenue for the one month that they have provided the car wash service, by reference to MFRS 15?

(6 Marks)

Total 20 Marks
Continued.....

QUESTION 2**Part A**

MFRS 120: *Accounting for Government Grants and Disclosure of Government Assistance* shall be applied in accounting for, and in the disclosure of, government grants and in the disclosure of other forms of government assistance. Briefly explain the **FOUR (4)** types of government assistance that this standard does not deal with.

(5 Marks)

Part B

On 1 Jan 2014, Mambo Berhad acquired a piece of land and building costing RM30 million. Cost of land acquired was RM10 million and the estimated useful life estimated for 20 years. The company adopted cost model for these assets.

On 31 December 2016, Muhsin ceased the occupation of the properties for its business and started to rent the properties. On this date, the fair value of the land was RM12.4 million and RM22 million for the building. Mambo Berhad adopt fair value model for investment property.

Required:

In Accordance to MFRS 140 *Investment Property*, discuss the accounting treatment of land and building in year 2014, 2015 and 2016. Show extract Statement of Financial for the year ended 31 December 2016 and 31 December 2017

(15 Marks)

Total: 20 Marks

Continued...

QUESTION 3

Qaisara Berhad is a publicly listed company. The following is the Statement of Profit or Loss and the Statements of Financial Position for the company for the year 2017:

Qaisara Bhd
Statement of Profit or Loss
for the year ended 31 December 2017

	<u>RM'000</u>	<u>RM'000</u>
Revenues		50,800
Cost of goods sold	6,000	
Operating expenses (including depreciation)	17,200	
Loss on sale of equipment	500	
Interest expense	710	(24,410)
Income before income tax		26,390
Income tax expense		(6,600)
Net income		<u>19,790</u>

Qaisara Bhd
Statements of Financial Position
as at 31 December 2016 and 2017

	<u>2015</u>	<u>2014</u>
	<u>RM'000</u>	<u>RM'000</u>
Noncurrent Assets		
Land	13,000	2,000
Buildings	16,000	4,000
Accumulated depreciation-buildings	(1,100)	(500)
Equipment	2,700	1,000
Accumulated depreciation-equipment	(300)	(100)
Current Assets		
Cash	33,550	20,640
Accounts receivable	3,100	4,100
Inventory	2,800	2,300
Prepaid expenses	700	300
TOTAL	<u>70,450</u>	<u>33,740</u>

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Equity and Liabilities

Share capital-Ordinary shares	4,000	2,000
Retained earnings	27,990	10,100
Long-term bonds payable	35,160	18,940
Accounts payable	2,700	1,900
Income tax payables	600	800
TOTAL	70,450	33,740

Additional information:

1. A building costing RM500,000 and equipment costing RM80,000 were purchased for cash.
2. The company sold equipment with a book value of RM7,000 (cost RM8,000 less accumulated depreciation RM1,000) for RM4,000 cash.
3. Depreciation expense was comprised of RM800,000 for building and RM400,000 for equipment.
4. Issued of long term bonds in direct exchange for land.
5. Issued ordinary shares for cash.
6. The company declared and paid a RM1,900,000 cash dividend.

Required:

- (a) Prepare the Statement of Cash Flows for Qaisara Bhd for the year ended 31 December 2015 in accordance with MFRS 107 *Statement of Cash Flows* (using indirect method). (18 Marks)
- (b) Based your answer in (a), analyse the cash flow performance of Qaisara Bhd. (2 Marks)

Total: 20 Marks**Continued....**

QUESTION 4**Part A**

Contract Berhad has borrowed RM 500 million to start a business. 35 percent of this total borrowing will be used for operating activities. 5 percent is required to set up the business operation. The remaining balance of total borrowing will be used to construct their plant in Kuantan. Below is the breakdown of the various sources of financing:

Types of financing	RM million
8% Redeemable preference shares	150
10% Loan stock	100
6% Term loan	250

Required:

- (a) Briefly describe the rules relating to commencement, suspension and cessation of capitalisation of borrowing costs relating to qualifying assets in accordance with MFRS 123 *Borrowing Costs* (6 Marks)
- (b) Assuming that construction on the plant commences on 1 April 2017, and financing is obtained on the same date; compute the finance cost that qualifies for capitalisation and that which should be expressed in the statement of profit and loss. (9 Marks)

Part B

Jump and Run Sdn Bhd had followed the practice of expensing all materials assigned to a construction job without recognizing any residual inventory. At the year-end 30 September 2017, the company was determined that residual inventory should be recognized at RM102,000 (RM62,000 arose during the current year).

Required:

Using MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, explain how this information affects the financial statement to be prepared at the end of 2017.

(5 Marks)

Total: 20 Marks

Continued...

QUESTION 5**Part A**

Para 42 MFRS 138 *Intangible Assets* define Research and Development as:

“Research or development expenditure that: (a) relates to an in-process research or development project acquired separately or in a business combination and recognised as an intangible asset; and (b) is incurred after the acquisition of that project shall be accounted for in accordance with paragraphs 54–62 MFRS 138 *Intangible assets*”

Required:

Briefly explain the accounting treatment for Research and Development in both research and development phase according to *para 54-62 MFRS 138 Intangible assets*.

(12 Marks)

Part B

- (a) Indicate **TWO (2)** facts and circumstances that an entity should test exploration and evaluation assets for impairment. (4 Marks)
- (b) The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The practice of writing inventories down below cost to net realisable value is consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. Briefly explain how:
- (i) Inventories are usually written down (2 Marks)
 - (ii) Net realisable value estimates are made (2 Marks)

Total: 20 Marks

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